



GOVERNMENT OF PUERTO RICO

Puerto Rico Electric Power Authority
Governing Board

Exhibit 1

RESOLUTION 4594

Appointing a Chief Executive Officer

- WHEREAS: Act No. 83 of May 2, 1941, as amended, in its Section 3 (22 L.P.R.A. § 193), creates the Puerto Rico Electric Power Authority (PREPA) as a public corporation and governmental instrumentality, subject to the control of its Governing Board, with legal existence and personality separate and apart from that of the Government of the Commonwealth of Puerto Rico.
- WHEREAS: Act No. 83, *supra*, in its Section 4 (22 L.P.R.A. § 194), establishes that powers of PREPA shall be exercised and its general policies and strategic direction shall be determined by a Governing Board. Also, this Section, in its item (b), establishes that the Governing Board will appoint an Executive Director and will set his/her compensation.
- WHEREAS: Section 5 of Act No. 83 (22 L.P.R.A. § 195), indicates that the Executive Director will be appointed by the Board exclusively on the basis of experience, capacity and other qualities that specially enable him or her to achieve the purposes of PREPA. This Section also establishes that personnel transactions affecting PREPA's executive officers, including the Executive Director, will be governed, not by what Act No. 83 provides, but by the practices applicable to private companies. The Section specifically indicates that the executive officers will receive compensation comparable to that received by professionals in similar positions within institutions in the energy industry of size, complexity and risks similar to PREPA.
- WHEREAS: In accordance with the powers conferred by Act No. 83, the Governing Board hired Heidrick & Struggles, Inc. (Heidrick) to help in the analysis, identification, assessment, selection and seamless integration of the new Executive Director for PREPA.
- WHEREAS: After evaluating and interviewing numerous candidates, either at the committee or Board level, the Governing Board selected engineer Walter Higgins as PREPA's new Executive Director/Chief Executive Officer.



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WHEREAS:

The Governing Board, having taken into consideration Mister Higgins' educational background, his vast professional experience in the electrical industry in the United States, and also, PREPA's actual and specific needs, reflecting its complex financial situation and the need for restructuring and/or privatization, determined to grant Mister Higgins the following compensation and benefits:

1. A two-year contract as a trust employee with an automatic one-year extension at the end of the second full year of employment unless either party provides written notice of unwillingness to extend, within one month of the end of the contract.
2. An additional compensation of \$100,000 payable within seven (7) days of beginning employment (to cover the initial and final expenses of moving to and from Puerto Rico).
3. A base salary of \$450,000.
4. Annual achievements compensation with a target of \$450,000 if he achieves the goals established by the Governing Board. The goals will be established through consultation with, and concurrence by Mister Higgins. The Governing Board will have the discretion to provide further compensation for what it considers to be extraordinary achievement.
5. Benefits equal to other PREPA's employees (health plan, vacation and sick leave, retirement plan employee contribution), effective immediately.
6. Recognizing the value of outside board service, particularly in associated industries, Mister Higgins may remain a member of the Boards of Directors of South Jersey Industries (SJI) and AEGIS (the mutual insurance company serving the electric power industry). If at any time the Governing Board believes that the performance of Mister Higgins is affected by his commitment to these Boards or if there is a conflict of interests, the Governing Board will notify and discuss this matter with the CEO with a goal of reducing its concerns.
7. The first contract year is guaranteed with annual achievement compensation at target.



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WHEREAS: Mr. Higgins' compensation and benefits, as outlined above, remain below the ones received by other executive directors in electric power companies similar to PREPA in size and complexity, and without the challenges and risks facing PREPA at this moment. The Board believes its offer to be both below market, and necessary to secure a CEO with the required credentials.

THEREFORE: BE IT RESOLVED by this Governing Board, in accordance with Act 83, *supra*, to appoint Mister Walter M. Higgins as PREPA's Executive Director/Chief Executive Officer, effective on March 25, 2018, with compensation and benefits, as outlined above.

Approved in San Juan, Puerto Rico, on this the eighth day of March, two thousand and eighteen.

